

RA07
Interagency Commission on School Construction – Capital

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
Built to Learn	\$785.900	\$480.000	\$261.367	\$261.367	\$261.367	\$25.000
Public School Construction Program	285.000	285.000	216.500	216.500	216.500	280.000
Supplemental Capital Grant Program	60.000	95.391	40.000	40.000	40.000	80.000
Healthy School Facility Fund	70.000	90.000	40.000	0.000	0.000	0.000
Revolving Loan Fund	0.000	40.000	10.000	20.000	0.000	0.000
Aging Schools Program	6.109	6.109	6.109	6.109	6.109	0.000
Nonpublic Aging Schools Program	3.500	3.500	3.500	3.500	3.500	3.500
Public School Safety Grant Program	10.000	0.000	0.000	0.000	0.000	0.000
Nonpublic School Security Improvements	3.500	0.000	0.000	0.000	0.000	0.000
Public Schools Facilities Priority Fund	0.000	0.000	0.000	40.000	40.000	\$80.000
Total	\$1,224.009	\$1,000.000	\$577.476	\$587.476	\$567.746	\$468.500

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Fund Source	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
GO Bonds	\$321.609	\$222.221	\$59.609	\$69.609	\$49.609	\$202.750
Bond Premiums	65.000	0.000	0.000	0.000	0.000	0.000
Revenue Bonds	785.900	480.000	236.367	236.367	236.367	0.000
PAYGO GF	11.500	257.779	256.500	256.500	256.500	240.750
PAYGO SF	0.000	0.000	25.000	25.000	25.000	25.000
PAYGO FF	40.000	40.000	0.000	0.000	0.000	0.000
Total	\$1,224.009	\$1,000,000	\$577.476	\$587.476	\$567.746	\$468.500

FF: federal funds
 GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Note: The Built to Learn program revenue bond estimates are based on a total of \$2.0 billion available for this purpose. The revenue bond issuance for fiscal 2022 is based on the Maryland Stadium Authority’s current estimate; fiscal 2023 revenue bond issuance is from the Governor’s proposed budget; fiscal 2024 to 2026 revenue bond estimates are based on approximate bonds left in the remaining issuance; and fiscal 2027 Built to Learn funds are PAYGO special funds applied to the Prince George’s County public-private partnership as specified in Chapter 698 of 2021. In fiscal 2023, the Public School Safety Grant Program and the Nonpublic School Security Grant Program move to the operating budget and use general funds for that purpose, and therefore are no longer part of the capital budget. For more information on these programs in fiscal 2023, see the Maryland State Department of Education – R00A01 budget analysis.

PAYGO Recommended Actions

- 1. Concur with Governor’s allowance.

GO Bond Recommended Actions

- 1. Approve the Governor’s \$6,109,000, general obligation bond fund authorization for the Aging Schools Program.
- 2. Approve the Governor’s \$50,000,000 bond authorization for the Healthy School Facility Fund.
- 3. Approve the Governor’s \$67,221,000 bond authorization for the Public School Construction Program.
- 4. Amend language to require that grants made under the Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program must be expended within three years, at which point any unspent funds must be transferred to the Unreserved Statewide Contingency Fund. Also amend language to include additional requirements for program eligibility.

RA0702D	Nonpublic Aging Schools Program	\$ 3,500,000
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Amend the following language:

Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program. Provide funds to be distributed as grants to nonpublic schools in Maryland for expenditures eligible under the Aging Schools Program established in § 5-206 of the Education Article, including school security improvements. Provided that grants may only be provided to nonpublic schools eligible to receive Aid to Nonpublic Schools R00A03.04 for the purchase of textbooks and computer hardware and software for loans to students in eligible public schools) during the 2021-2022 school year or nonpublic schools that serve students with disabilities through the Non-Public Placement Program R00A02.07 Subprogram 0762, excluding preschools in fiscal 2023, with a maximum amount of \$100,000 and a minimum amount of \$5000 per eligible school.

Explanation: This action restores language from the fiscal 2022 capital bill that specifies schools participating in the Nonpublic Aging Schools Program must have participated in the Aid to Nonpublic Schools program during the 2021-2022 school year.

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5. Amend language for the Supplemental Capital Grant program to reflect the current statute.

RA0702E	Supplemental Capital Grant Program	\$ 95,391,000
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Add the following language:

Supplemental Capital Grant Program for Local School Systems. Provide funds to local school systems with enrollment growth that over the last 5 years exceeds 150% of the statewide average of ~~300~~ 250 or more relocatable classrooms. These funds shall be administered in accordance with § 5-313 of the Education Article and can be used for grants to local boards of education for federal E-rate-eligible special construction such as fiber and broadband infrastructure projects for E-rate-eligible applicants

Explanation: Technical change to reflect current statute.

6. Approve the Governor’s \$95,391,000 general obligation bond fund authorization for the Supplemental Capital Grant Program.

Budget Overview of Grant and Loan Programs

The Interagency Commission on School Construction (IAC) is an independent commission within the Maryland State Department of Education (MSDE). Although MSDE acts as the fiscal agent for IAC, across both the capital and operating budgets, IAC is responsible for the management and administration of 10 programs that support public, and in some cases nonpublic, school construction programs in Maryland. Descriptions of these programs can be found in Program Descriptions portion of this analysis. For information on IAC’s administrative budget, see the IAC Headquarters – R00A07 budget analysis.

School Construction Funding

- With the passage of the Chapter 20 of 2020, funding for school construction eclipses \$1.0 billion for the second consecutive year. This investment in school construction results from the issuance of revenue bonds for the Built to Learn program, which is the second largest bond issuance that pledges State lottery revenues for State school construction programs since the 21st Century Schools Program pledged \$1.1 billion in funding for Baltimore City schools as part of Chapter 647 of 2014.
- The fiscal 2023 budget as proposed maintains the current investment in school construction using general obligation (GO) bond and pay-as-you-go (PAYGO) funds but does not maintain

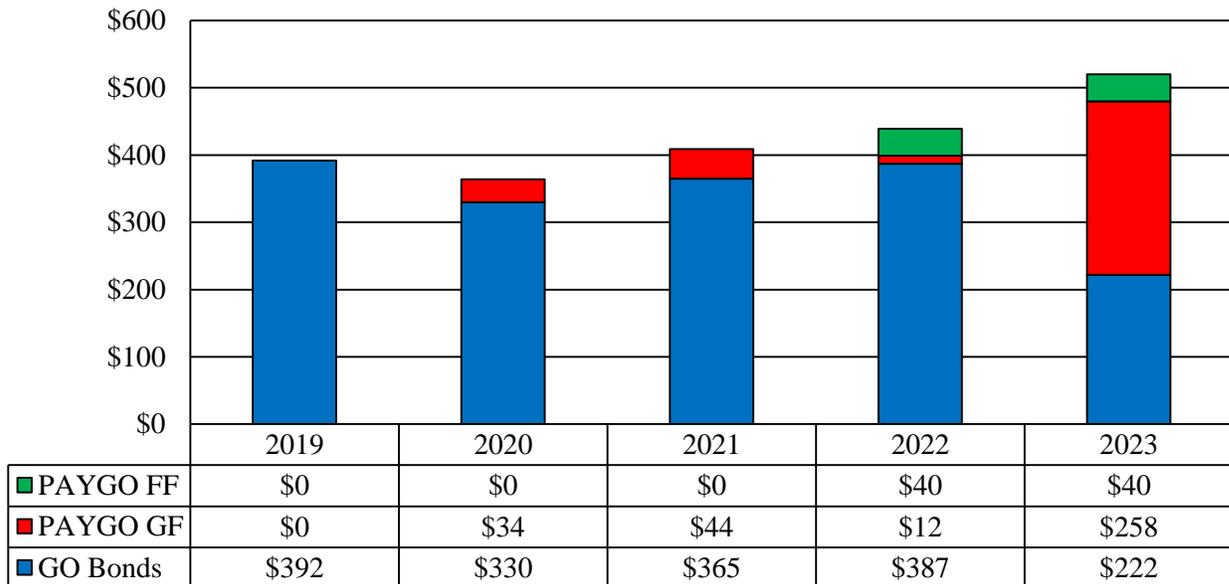
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this funding going forward. Starting with Chapter 14 of 2018, an explicit request of the Maryland General Assembly is that school construction funding would meet or exceed \$400 million each year. The *Capital Improvement Program* (CIP) falls short of that goal by approximately \$100 million annually from fiscal 2024 through 2026.

- This proposed budget uses PAYGO funds in the operating budget instead of GO bonds as the primary source of school construction funding through fiscal 2027. This contrasts with the past five years where the State funded school construction primarily with GO bond proceeds, including bond premiums, but with very limited use of general funds. The administration’s plan to spend more than \$1.268 billion of general fund PAYGO through fiscal 2027, or more than \$254 million annually, is supported in part by withdrawing funds from the Revenue Stabilization Account (Rainy Day Fund). Decisions, however, during the 2022 session to divert significant portions of the Rainy Day balance proposed by the Governor to other purposes may require GO authorizations above what is planned to accommodate programmed levels of school construction funding.
- The fiscal 2022 and 2023 budget also benefits from a one-time infusion of federal funds applied to the Healthy School Facility Fund, which receives \$40 million in each of those years, although those funds are not considered an ongoing contribution to the school construction budget.
- This budget also reflects the transfer of school safety programs to the operating budget.

Exhibit 1 shows new school construction spending from fiscal 2019 to 2023 excluding revenue bonds for both the 21st Century and Built to Learn programs.

Exhibit 1
New School Construction by Source
Fiscal 2019-2023
(\$ in Millions)



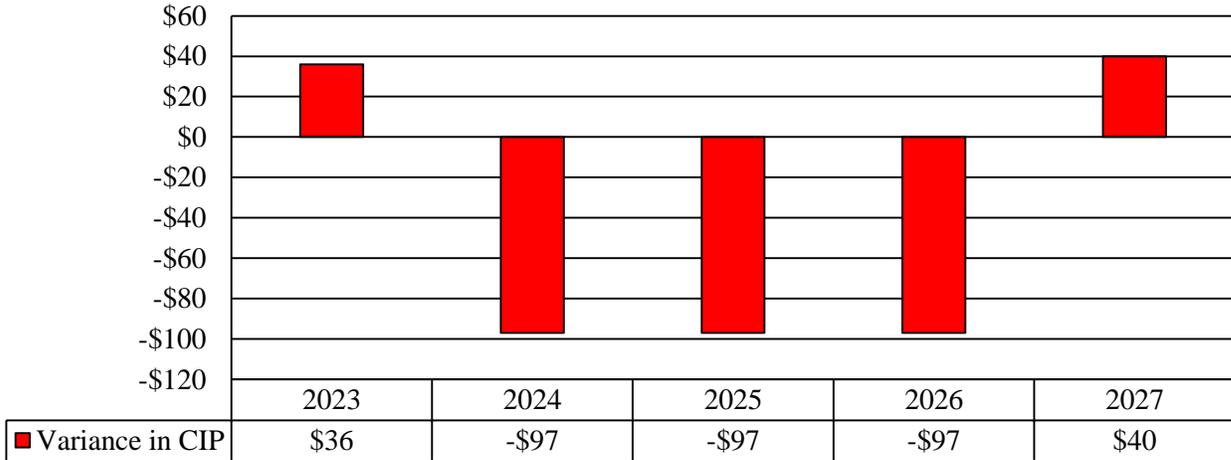
FF: federal funds
 GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go

Note: Includes public and nonpublic school construction programs. Bond premiums are considered GO bonds.

Source: Interagency Commission on School Construction

Chapter 14 established the Maryland General Assembly’s intent that State public school construction funding should annually meet or exceed \$400 million. The intent of Chapter 14 is that programs such as Built to Learn and 21st Century Schools are intended to supplement, and not supplant, State funding. **Exhibit 2** illustrates that only in the fiscal 2023 budget as proposed does the funding level in the Governor’s proposed budget meet the intent. The primary reason for this deficit is funding allocated to the Public School Construction Program (PSCP), which in the Governor’s budget plan is reduced in response to the planned issuance of Built to Learn bonds. As programmed in the fiscal 2023 CIP, the State funding level falls short of the goal by approximately \$100 million annually in each of fiscal 2024 through 2026. Essentially the Governor’s budget plan reduces programmed funding levels for the regular PSCP in response to the planned issuance of Built to Learn bonds. To the extent that actual school construction funding levels approach the \$400 million target, this points to a potential source of oversubscription of the capital program and more so if PAYGO general funds are not available as planned.

Exhibit 2
Governor’s Proposed CIP Allocation to School Construction
Falls Short of \$400 Million Annual Goal in Fiscal 2024 through 2026
Fiscal 2023-2027
(\$ in Millions)



CIP: *Capital Improvement Program*

Note: CIP public school construction programs include the Public School Construction Program, Enrollment Growth and Relocatable Classrooms, the Aging Schools Program, and the Healthy School Facilities Fund when not funded with federal funds.

Source: Fiscal 2023 Governor’s Budget Books

Public School Construction Program

The PSCP receives the largest fiscal 2023 allocation and is the primary statewide funding source for all local education agencies (LEA) for school construction and for the Maryland School for the Blind (MSB). The Governor’s budget as introduced allocates \$285 million to the PSCP, funded with \$217.8 million in PAYGO and \$67.2 million in GO bonds. The State pays at least 50% of eligible costs of PSCP school construction and renovation projects based on a funding formula that accounts for numerous factors, including each county’s wealth and ability to pay. Chapter 14 requires that the cost-share formula be recalculated every two years (previously, statute required recalculation every three years). **Exhibit 3** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2020 to 2024 as approved by IAC. Counties whose calculated State share would have been lower in fiscal 2023 than in fiscal 2022 were held harmless by Chapter 698 of 2021; Garrett County’s State share was adjusted in accordance with provisions of Chapter 698.

**Exhibit 3
State Cost Share
Fiscal 2020-2024**

<u>Local Education Agency</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Allegany	85%	89%	89%	90%	90%
Anne Arundel	50%	50%	50%	50%	50%
Baltimore City	93%	96%	96%	96%	96%
Baltimore County	56%	57%	57%	61%	61%
Calvert	53%	53%	53%	56%	56%
Caroline	81%	87%	87%	88%	88%
Carroll	59%	59%	59%	59%	59%
Cecil	66%	66%	66%	66%	66%
Charles	61%	65%	65%	65%	65%
Dorchester	76%	82%	82%	93%	93%
Frederick	64%	64%	64%	65%	65%
Garrett	50%	50%	50%	90%	90%
Harford	63%	63%	63%	63%	63%
Howard	55%	55%	55%	56%	56%
Kent	50%	50%	50%	50%	50%
Montgomery	50%	50%	50%	50%	50%
Prince George’s	70%	70%	70%	73%	73%
Queen Anne’s	51%	51%	51%	51%	51%
St. Mary’s	58%	58%	58%	100%	100%
Somerset	100%	100%	100%	58%	58%
Talbot	50%	50%	50%	50%	50%
Washington	71%	79%	79%	79%	79%
Wicomico	97%	100%	100%	100%	100%
Worcester	50%	50%	50%	50%	50%
Maryland School for the Blind	93%	93%	93%	93%	93%

Source: Interagency Commission on School Construction

IAC manages State review and approval of local school construction projects. Each year, LEAs develop and submit a facilities master plan to IAC that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each LEA submits a county CIP to IAC, which may include projects that LEA has forward-funded. **Appendix 1** shows the fiscal 2018 to 2022 allocations and total allocations from 1972 to 2022.

In December 2021, IAC made fiscal 2023 75% funding allocations totaling \$156.0 million, not including design fees and statewide contingency reserve funds, based on the Governor’s preliminary \$208 million as outlined in the Governor’s Preliminary Capital Budget. In February 2022, IAC revised the initial 75% allocations to \$165.5 million to reflect the fiscal 2023 proposed budget and added

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\$124.0 million as part of 90% proposed allocations. Allocations for fiscal 2023 cover 47% of requested funds for school construction. **Exhibit 4** shows the requested amounts by LEA and IAC’s 75%, 90%, and 100% funding recommendations. To the extent that the enacted capital budget provides more (or less) funding for public school construction than the Governor’s proposed budget, the 100% allocations would change accordingly.

Exhibit 4
Public School Construction Program 100% Recommendations
Fiscal 2023
(\$ in Millions)

<u>Local Education Agency</u>	<u>75% Funding Allocation</u>	<u>90% Adjusted Allocation</u>	<u>100% Recommendation</u>
Allegany	\$1.3	\$1.5	\$2.8
Anne Arundel	16.1	8.8	24.9
Baltimore City	18.9	12.3	31.2
Baltimore	17.6	7.2	24.9
Calvert	4.6	2.8	7.4
Caroline	2.0	0.0	2.0
Carroll	4.6	8.0	12.6
Cecil	2.3	2.5	4.8
Charles	5.4	13.1	18.5
Dorchester	2.2	0.0	2.2
Frederick	8.9	13.4	22.3
Garrett	1.8	0.3	2.1
Harford	5.2	4.1	9.3
Howard	13.3	2.3	15.6
Kent	1.6	0.0	1.6
Montgomery	19.3	6.8	26.0
Prince George’s	14.3	4.5	18.8
Queen Anne’s	1.5	2.7	4.2
St. Mary’s	1.1	5.3	6.4
Somerset	0.0	0.0	0.0
Talbot	0.0	0.6	0.6
Washington	3.5	6.1	9.6
Wicomico	5.8	19.3	25.1
Worcester	0.0	0.0	0.0
Maryland School for the Blind	4.6	2.6	7.2
Statewide Contingency Reserve	4.5	0.0	4.5
Department of General Services Design Review Fees	0.0	0.5	0.5
Total	\$160.5	\$124.0	\$285.0

Note: Numbers may not sum due to rounding.

Source: Interagency Commission on School Construction

Enrollment Growth and Relocatable Classroom Supplemental Grant Program

The fiscal 2023 proposed budget provides the mandated \$40 million for the Enrollment Growth and Relocatable Classrooms (EGRC) Supplemental Grant Program, plus an additional \$55.4 million. In fiscal 2022, seven counties received EGRC supplemental grants: Anne Arundel, Baltimore, Frederick, Howard, Montgomery, and Prince George’s counties. Starting in fiscal 2022, Chapter 20 reduced the threshold of five-year average of relocatable classrooms from 300 to 250 for LEA eligibility for EGRC funding and added an enrollment growth provision for any funding allowance over \$40 million. Under this revised formula and with the increased funding in the proposed budget, Anne Arundel, Baltimore, Charles, Frederick, Howard, Montgomery, and Prince George’s counties receive EGRC supplemental grants in fiscal 2023. Fiscal 2018 to 2022 allocations include increases by the General Assembly above the mandated amount but not recycled funds from previous years. Fiscal 2023 allowances are estimates based on the revised formula, which includes an enrollment growth adjustment for any allowance over \$40 million. Final amounts will be finalized by IAC in June 2022. **Exhibit 5** shows these allowances.

Exhibit 5
Enrollment Growth and Relocatable Classroom Supplemental Grant Program
Fiscal 2018-2023 Est.
(\$ in Millions)

<u>Local Education Agency</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 Est.</u>
Anne Arundel	9.5	7.9	6.1	9.2	7.3	14.6
Baltimore County	12.3	10.9	8.3	9.5	9.4	7.9
Caroline	0.0	0.0	0.0	1.7	0.0	0.0
Charles	0.0	0.0	0.0	0.0	0.0	4.4
Frederick	0.0	0.0	0.0	4.8	5.8	15.3
Howard	6.7	5.4	5.5	14.1	9.4	16.8
Montgomery	21.8	25.9	25.9	22.3	15.2	18.6
Prince George’s	12.2	18.1	18.1	13.4	12.9	17.8
Total	62.5	68.2	63.8	75.0	60.0	95.4

* Estimated based on allocation per Chapter 20 of 2020.

Source: Interagency Commission on School Construction

Healthy School Facilities Fund

The purpose of the Healthy School Facilities Fund (HSFF) is to provide an additional allocation for LEAs to improve public school conditions. Baltimore City receives 50% of any fund allowance, including federal funds. In fiscal 2021, although the Governor targeted this program for a reduction as part of proposed cost containment due to COVID-19, the program retained its allowance of \$30 million in PAYGO. However, due to this uncertainty, IAC did not provide grants to LEAs until after the

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fiscal year ended in July 2021. Combined with \$5.3 in reserved funds available from previous years, in fiscal 2021, the HSFF received a total of \$35.2 million.

In fiscal 2022, the HSFF received \$70 million comprised of \$30 million in GO bond funds and \$40 million in American Rescue Plan Act (ARPA) federal funds. Because these funds are federal stimulus funds issued in March 2021, ARPA funds must be spent by September 30, 2024. IAC has already processed these grants for LEAs and, to date, fiscal 2022 allocations total \$67.4 million with a \$2.4 million balance. **Exhibit 6** provides fiscal 2021 and 2022 allocations by LEA.

Exhibit 6
Healthy School Facilities Fund
Fiscal 2021-2022
(\$ in Millions)

<u>Local Education Agency</u>	<u>2021*</u>	<u>2022</u>
Allegany	\$0.7	\$0.0
Anne Arundel	0.0	0.3
Baltimore City	15.0	32.6
Baltimore County	11.8	11.4
Calvert	0.1	1.0
Caroline	0.0	0.0
Carroll	0.6	3.2
Cecil	0.0	0.0
Charles	2.5	0.3
Dorchester	1.8	3.5
Frederick	0.3	0.0
Garrett	0.3	7.9
Harford	0.2	2.7
Howard	0.2	1.7
Kent	0.0	0.0
Montgomery	0.1	0.0
Prince George's	0.0	1.6
Queen Anne's	0.0	0.0
Somerset	0.0	0.0
St. Mary's	0.0	0.0
Talbot	0.0	0.0
Washington	0.6	0.0
Wicomico	1.0	1.2
Worcester	0.0	0.0
Maryland School for the Blind	0.0	0.3
Total	\$35.2	\$67.4

* Fiscal 2021 allocation includes reserved funds.

Source: Interagency Commission on School Construction

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The proposed fiscal 2023 allowance of \$90 million for the HSFF exceeds the \$40 million mandate established in Chapter 20 by \$10 million, with \$50 million in GO bonds and an additional \$40 million from the ARPA reserved in the Dedicated Purpose Account in fiscal 2022 for appropriation in fiscal 2023. As with fiscal 2022, additional ARPA funds must be spent by September 30, 2024.

LEAs must plan to spend HSFF funds quickly so that federal funds are not reverted. Additionally, with \$80 million in PAYGO and GO bonds allocated for this program in fiscal 2022 and 2023 now potentially available through fiscal 2029, it is imperative that IAC work with LEAs on a feasible plan to spend these funds in the timeframes required.

Built to Learn

Chapter 20 authorizes the Maryland Stadium Authority (MSA) to issue bonds to finance public school construction projects beginning January 1, 2021. Debt issuance must be based on projects approved by IAC. Before issuing bonds, MSA must obtain the approval of the Board of Public Works (BPW) of the aggregate amount of the proposed bond issue. At least 45 days before seeking approval from BPW for the sale of revenue bonds, MSA must provide specified written notice to the fiscal committees of the General Assembly. Total debt service for all bond issuances may not exceed \$30 million in fiscal 2022, \$60 million in fiscal 2023, and \$125.0 million annually thereafter; it may not exceed \$100.0 million annually if Prince George’s County enters into a public-private partnership (P3) agreement.

After the override of the Governor’s veto in the 2021 legislative session, Chapter 20 immediately took effect, although funding mandates did not apply to fiscal 2022. The fiscal 2022 capital budget provided an allowance for all Chapter 20 programs at their mandated levels. Fiscal 2023 is the first year that these mandates apply, and the Governor’s 2022 CIP programs funds to meet all mandates through fiscal 2027.

The first series of bonds were issued in November 2021. A second issuance is planned in March 2022. Currently, IAC is planning for \$608.1 million. **Exhibit 7** shows that as much as \$786 million could be available for school construction from the first two bond sales.

Exhibit 7
Built to Learn Bond Issuances
Fiscal 2021-2052
(\$ in Millions)

	<u>Actual Series 2021</u>	<u>Proposed¹ Series 2022</u>	<u>Remaining Capacity</u>
Fiscal Year that Issuance Matures	2051	2052	n/a
Par Value	\$257.0	\$458.5	\$1,484.5
Premium Net of Issuance and Capitalized Interest Costs	28.9	41.5	n/a
Total Available for Project Fund	\$285.9	\$500.0	n/a
Annual Debt Service ²	\$14.8	\$23.4	\$61.7

¹ The proposal is up to \$459 million in par value. The Maryland Stadium Authority will only issue what has been approved by the Interagency Commission on School Construction. Should less be approved, par value would be reduced.

² Since the fund earns interest, actual debt service could exceed the \$100 million appropriation in some fiscal years.

Source: Maryland Stadium Authority

Although Built to Learn funds are intended to fund new school construction projects, eligible projects can also include systemic renovations or projects at multiple schools that exceed \$4 million. LEAs can also apply for planning funds, and projects that were not already funded and under construction by June 2021 are eligible for reimbursement. Local governments must provide their local match for all Built to Learn Act projects, and cost-share percentages will apply to the whole project, including planning; design and development; and furniture, fixtures, and equipment. All projects must be approved by the IAC. **Exhibit 8** shows Built to Learn allowances and allocations as of January 2022.

Exhibit 8
Built to Learn Allowances and Allocations
Fiscal 2022-2023
(\$ in Millions)

<u>Local Education Agency</u>	<u>Statutory Percentage</u>	<u>Projected Allowance</u>	<u>Approved Allocation</u>	<u>Remaining Allocation</u>
Allegany	0.4%	\$7.6	\$0.0	\$7.6
Anne Arundel	12.5%	250.0	110.3	139.7
Baltimore City	21.0%	420.0	0.0	420.0
Baltimore County	21.0%	420.0	199.0	221.0
Calvert	0.7%	14.9	0.0	14.9
Caroline	0.3%	5.3	0.0	5.3
Carroll	1.2%	23.8	23.8	0.0
Cecil	0.7%	13.9	0.0	13.9

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<u>Local Education Agency</u>	<u>Statutory Percentage</u>	<u>Projected Allowance</u>	<u>Approved Allocation</u>	<u>Remaining Allocation</u>
Charles	1.3%	25.4	16.5	8.9
Dorchester	0.2%	4.3	0.0	4.3
Frederick	5.1%	102.0	0.0	102.0
Garrett	0.2%	3.5	0.0	3.5
Harford	1.8%	35.7	31.5	4.2
Howard	6.6%	132.0	0.0	132.0
Kent	0.1%	1.7	0.0	1.7
Montgomery	21.0%	420.0	0.0	420.0
Prince George’s	*	*	*	*
Queen Anne’s	0.4%	7.2	0.0	7.2
St. Mary’s	0.8%	16.3	0.0	16.3
Somerset	0.1%	2.6	0.0	2.6
Talbot	0.2%	4.2	0.0	4.2
Washington	1.0%	20.8	0.0	20.8
Wicomico	0.7%	13.8	13.8	0.0
Worcester	0.3%	6.1	0.0	6.1
Unallocated	2.4%	48.9	0.0	0.0
Total	100.0%	\$2,000.0	\$394.9	\$1,556.2

* Does not include Prince George’s County for startup costs for public-private partnership projects.

Source: Interagency Commission on School Construction

Prince George’s County Public-private Partnership Agreement

Chapter 20 authorizes State funding for a P3 agreement for Prince George’s County. A P3 agreement is defined as one in which a county government and county board of education contract with a private entity for the acquisition, design, construction, improvement, renovation, expansion, equipping, or financing of a public school. It may include provisions for the operation and maintenance of a school, for cooperative use of a school or an adjacent property, and for the generation of revenue to offset the cost of construction or use of the school. This agreement must be reviewed by MSA and approved by IAC.

If Prince George’s County enters into a specified P3 agreement by July 1, 2024, MSA must deposit \$25.0 million annually, beginning in fiscal 2025 and not after fiscal 2054, into the Prince George’s County P3 Fund. In order for Prince George’s County to receive these annual payments, the P3 agreement must include a minimum of six schools that will be improved, constructed, renovated, operated, and maintained under the P3 agreement and a commitment by the Prince George’s County government and school board to provide the local share of the availability payment. Under Chapter 20, MSA must review the P3 agreement, and IAC must approve it before State funds may be used to support the P3 agreement. Prince George’s County is currently working on this P3 agreement with plans for funding in calendar 2022.

Baltimore City 21st Century Schools Program

The Baltimore City Public Schools (BCPS) system has the oldest school buildings in the State. In response to the critical need for public school facility improvements in Baltimore City, Chapter 647 of 2013 established a new partnership between the State, Baltimore City, and BCPS to fund up to \$1.1 billion in public school facility improvements through revenue bonds to be issued by MSA. There are two nonbudgeted funds administered by MSA to finance the improvements to BCPS facilities. These funds are supported by annual contributions from Baltimore City, the Baltimore City Board of School Commissioners, and the State (through lottery proceeds). The funds pay for the debt service; design and construction costs; startup costs; administration; overhead; and operations related to management, including all reasonable charges and expenses related to MSA oversight and project management responsibilities. **Exhibit 9** shows that \$974 million in par value has been issued to date.

Exhibit 9
Baltimore City School Revitalization Bonds’ Issuances
Calendar 2016-2020
(\$ in Millions)

<u>Year Issued</u>	<u>Par Value of New Debt Issued</u>	<u>Premium Net of Issuance Costs</u>	<u>Total Available Project Funds</u>
2016	\$320	\$66	\$386
2018	426	70	496
2020	228	98	326
Total	\$974	\$234	\$1,209

Source: The Maryland Stadium Authority

According to MSA, although this authorization is limited to \$1.1 billion, there is \$126 million in additional capacity. Since there is capacity remaining to issue bonds, MSA plans on issuing new bonds in early calendar 2022 with a par value of \$67.7 million, which will fund one additional school construction project. For additional information on the 21st Century Schools Program school renovation and replacement schedule and bond issuances, see the MSA – D28A03 budget analysis.

Aging Schools Program

The fiscal 2023 capital budget funds the Aging Schools Program (ASP) at the statutory allocation, which is \$6.1 million in GO bond funding. These amounts are mandated as part of the statutory allocation. **Exhibit 10** shows the fiscal 2018 through 2022 average allocations, which include prior year contingent funds from fiscal 2012 through 2021, and fiscal 2023 allocations.

Exhibit 10
Aging Schools Program
Fiscal 2018-2023
(\$ in Thousands)

<u>Local Education Agency</u>	<u>Average Expenditure</u> <u>2018-2022</u>	<u>2023</u>
Allegany	\$236.5	\$97.8
Anne Arundel	506.0	506.0
Baltimore City	1,387.9	1,387.9
Baltimore	1,016.0	874.2
Calvert	40.5	38.3
Caroline	54.3	50.1
Carroll	138.1	137.3
Cecil	100.8	96.0
Charles	61.9	50.1
Dorchester	38.3	38.3
Frederick	186.0	182.6
Garrett	38.3	38.3
Harford	222.5	217.4
Howard	87.8	87.8
Kent	50.3	38.3
Montgomery	603.0	602.7
Prince George's	1,260.5	1,209.4
Queen Anne's	51.0	50.1
St. Mary's	51.8	50.1
Somerset	72.7	38.3
Talbot	47.7	38.3
Washington	134.9	134.9
Wicomico	108.8	106.6
Worcester	38.4	38.3
Total	\$6,534.1	\$6,109.0

Source: Interagency Commission on School Construction

James E. “Ed” DeGrange Nonpublic Aging Schools Grant Program

The Governor’s fiscal 2023 capital budget includes \$3.5 million of GO bond funds for the Senator James E. “Ed” DeGrange Nonpublic Aging Schools Grant Program to provide grants to nonpublic schools for minor renovations and infrastructure repairs. Grants are limited to nonpublic schools, excluding preschools, that meet the eligibility requirements for funding through the Aid to Non-Public Schools Program. The program limits an individual school’s grant to no more than \$100,000 and no less than \$5,000. Three criteria are used to determine maximum funding per school: (1) at least 20% of the school’s students being eligible for free and reduced-price meals (FRPM); (2) tuition charged to students being less than the statewide average per pupil expenditure; and (3) the school having a facility with an average age of 50 years or older. Schools may receive up to a maximum allocation based on how many criterion it meets. Language attached to the fiscal 2023 authorization as proposed sets the levels as follows:

- up to \$25,000 for schools meeting one criterion;
- up to \$75,000 for schools meeting two criteria; and
- up to \$100,000 for schools meeting three criteria.

In the fiscal 2022 capital budget, the legislature authorized \$4.0 million for this program but restricted approximately \$1.0 million for seven projects at designated schools, leaving a total of \$3.0 million available for other projects. Distribution of the fiscal 2022 grants will occur in spring 2022 and is not available as of the date of this analysis. **Exhibit 11** shows fiscal 2020 and 2021 program allocations.

Exhibit 11 Nonpublic Aging Schools Fiscal 2020-2021 (\$ in Thousands)

<u>Local Education Agency</u>	<u>2020</u>	<u>2021</u>
Allegany	\$37.6	\$22.9
Anne Arundel	225.4	183.4
Baltimore	494.3	832.9
Baltimore City	480.7	588.4
Calvert	56.3	38.2
Caroline	18.8	0.0
Carroll	25.0	30.6
Cecil	25.0	45.8
Charles	62.6	61.1
Dorchester	18.8	22.9
Frederick	75.1	22.9

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<u>Local Education Agency</u>	<u>2020</u>	<u>2021</u>
Harford	50.1	68.8
Howard	125.2	91.7
Montgomery	581.9	618.9
Prince George’s	387.9	473.7
Queen Anne’s	6.3	30.6
St. Mary’s	87.6	122.3
Talbot	68.9	76.4
Washington	144.0	76.4
Wicomico	87.6	61.1
Unallocated	18.8	0.0
Total	\$3,077.8	\$3,469.0

Source: Interagency Commission on School Construction

Updates

Public School Safety Grant Program

The Public School Safety Grant Program (PSSGP) is distributed based on a formula that accounts for the total square footage (SF) of school buildings in a LEA and enrollment, with a minimum allocation of \$200,000. To receive funds for this program, LEAs must submit eligible expenditures for reimbursement. In fiscal 2021, the PSSGP received \$10 million GO bonds. In fiscal 2022, the legislature recommended cutting funding for the PSSGP because the grant had not yet been distributed; however, in Supplemental Budget No. 5, the Governor allocated \$10 million in PAYGO for the program. Fiscal 2021 and 2022 funds were combined for a total allocation across both years of \$20 million; fiscal 2022 grants were distributed by the Maryland Center for School Safety (MCSS) in coordination with IAC. **Exhibit 12** shows this distribution.

Exhibit 12
Public School Safety Grant Program
Fiscal 2021-2022
(\$ in Thousands)

<u>Local Education Agency</u>	<u>2021</u>	<u>2022</u>
Allegany	\$200	\$180
Anne Arundel	782	812
Baltimore City	841	866
Baltimore County	1,005	1,016
Calvert	200	232

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<u>Local Education Agency</u>	<u>2021</u>	<u>2022</u>
Caroline	200	149
Carroll	239	317
Cecil	200	222
Charles	244	322
Dorchester	200	144
Frederick	394	459
Garrett	200	135
Harford	351	420
Howard	509	564
Kent	200	119
Montgomery	1,482	1,452
Prince George’s	1,148	1,146
Queen Anne’s	200	167
St. Mary’s	200	234
Somerset	200	129
Talbot	200	134
Washington	205	285
Wicomico	200	221
Worcester	200	161
Maryland School for the Blind	200	112
Total	\$10,000	\$10,000

Source: Interagency Commission on School Construction

In fiscal 2023, school safety improvement programs, which include the PSSGP and Nonpublic School Security Improvements (NSSI), receive a total of \$13.5 million in general funds in the operating budget and are no longer a capital appropriation, which relieves LEAs and nonpublic schools of the requirement that improvements must have a lifespan of at least 15 years.

Nonpublic School Security Improvements

In fiscal 2022, NSSI initially received \$3.5 million in GO bonds in the Governor’s capital budget. The legislature suggested reducing this amount to \$2 million total, but in Supplemental Budget No. 5, the Governor allocated an additional \$1.5 million in PAYGO for this program. With that change, the program received added language initiated in the 2020 appropriation, which established distribution eligibility requirements as follows: in order to qualify for a grant, nonpublic schools must also participate in the Aid to Non-Public Schools Program; the maximum grant amount is \$65 per student, except where at least 20% of the students are eligible for FRPM, then the maximum grant amount is \$85 per student. The minimum grant amount is \$5,000 per eligible school. **Exhibit 13** shows the distribution of grants for fiscal 2020 and 2021; fiscal 2022 NSSI grants will be available in spring 2022.

Exhibit 13
Nonpublic School Security Improvements
Fiscal 2020-2021
(\$ in Thousands)

<u>Local Education Agency</u>	<u>2020</u>	<u>2021</u>
Allegany	\$44.2	\$22.4
Anne Arundel	363.8	318.3
Baltimore	1,006.9	918.1
Baltimore City	447.2	418.2
Calvert	21.5	33.3
Carroll	31.6	54.9
Cecil	19.9	21.1
Charles	54.5	64.4
Dorchester	5.0	5.0
Frederick	96.6	54.7
Harford	61.4	82.7
Howard	142.1	144.2
Montgomery	628.6	587.7
Prince George’s	468.3	492.4
Queen Annes	5.0	5.0
St. Mary’s	90.6	87.4
Talbot	47.9	58.5
Washington	78.4	63.6
Wicomico	63.5	64.6
Total	\$3,677	\$3,496

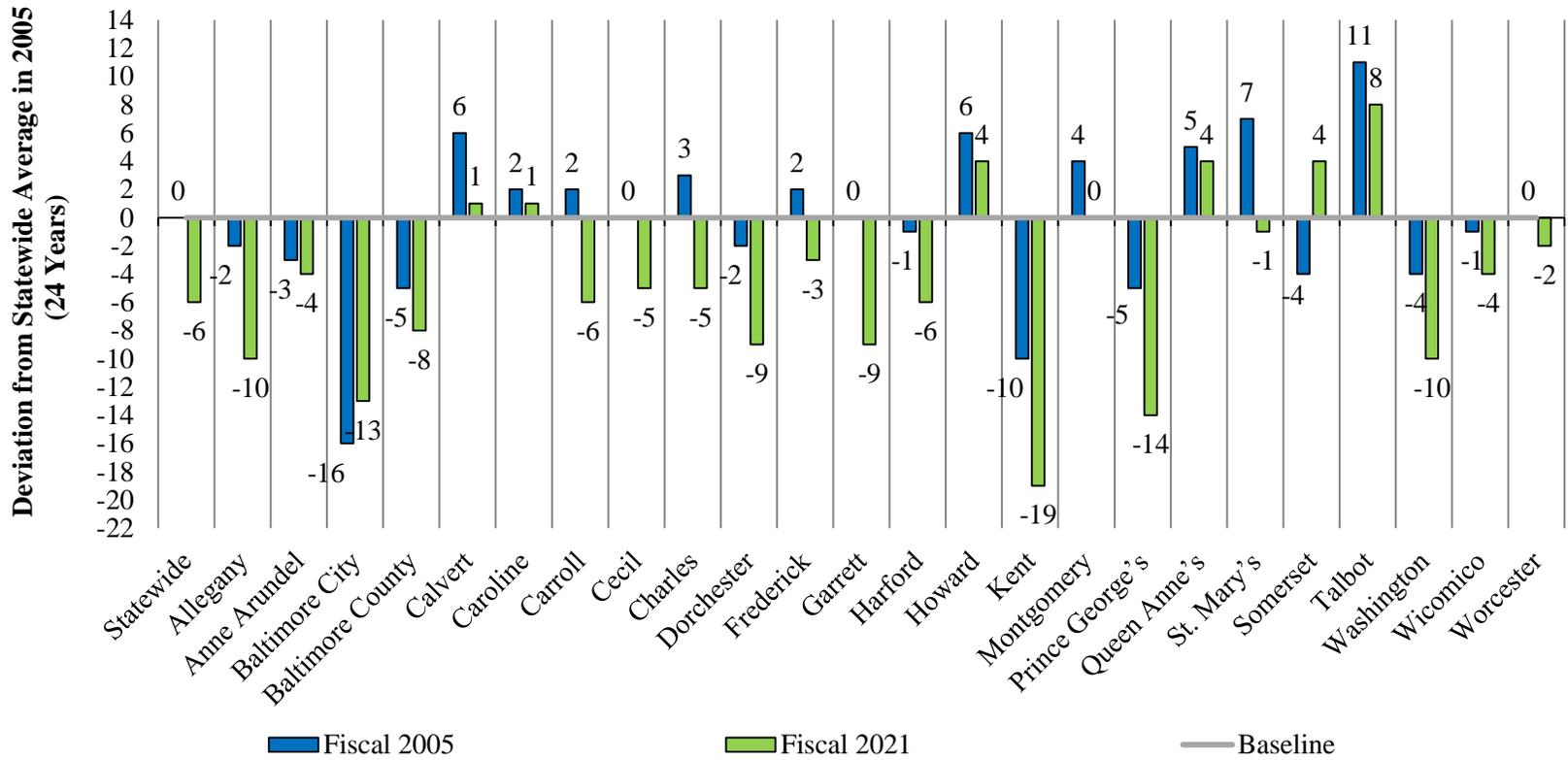
Source: Interagency Commission on School Construction

Performance Measures and Outputs

Statewide Square Footage

One of IAC’s performance goals focuses on the equity and quality of Maryland’s school facilities and whether they are safe physical environments for teaching and learning. As illustrated in **Exhibit 14**, one performance goal measures the average age of each LEA assigned public school facility SF against the State baseline average age. This measure has been in place since fiscal 2005, which serves as the baseline year, when the average age of State SF was 24 years. In fiscal 2021, the statewide average is 30 years.

Exhibit 14
Statewide Average Deviation
Fiscal 2021



Source: Interagency Commission on School Construction, Managing for Results

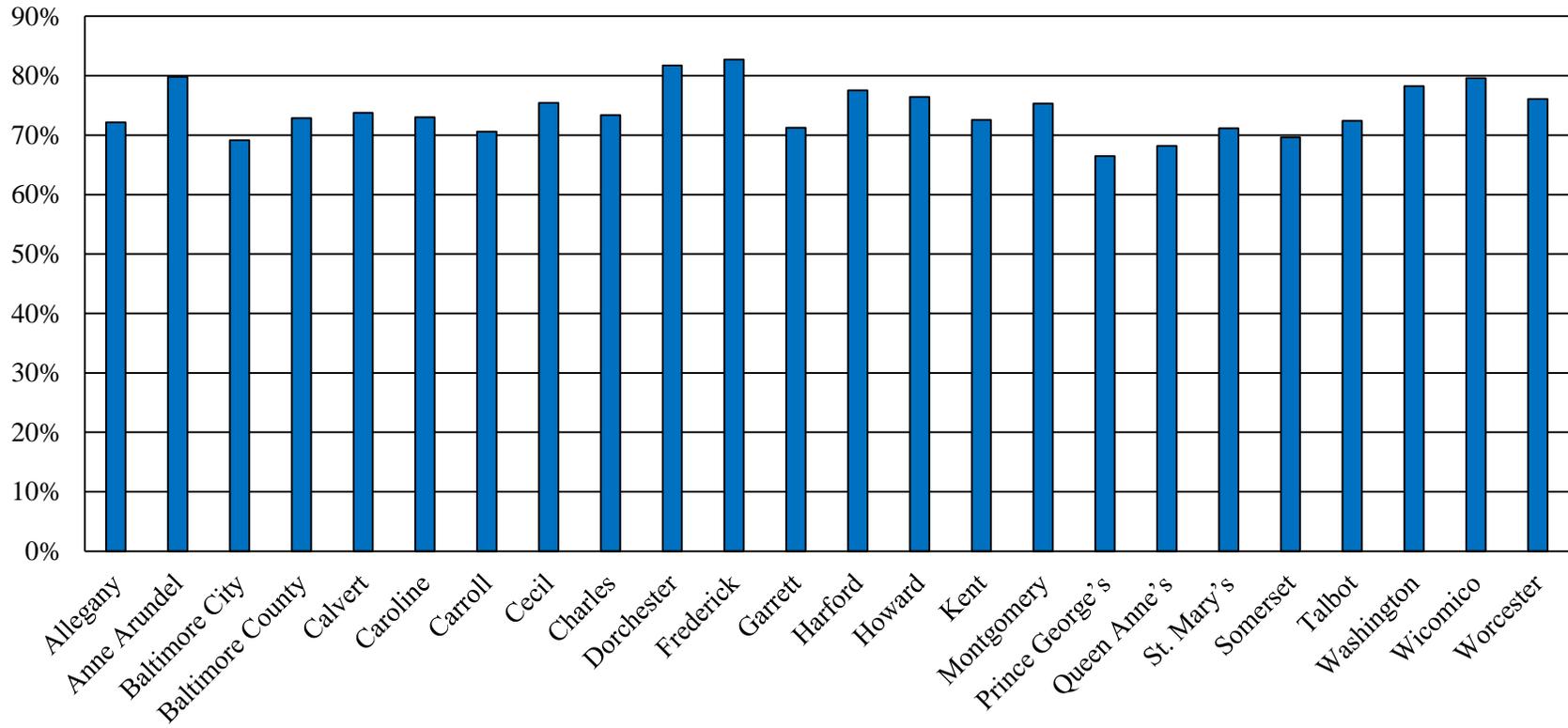
IAC Updates Annual Maintenance Assessment

IAC recently developed a new Maintenance Effectiveness Assessment with the input of LEAs. This new assessment was implemented for fiscal 2021 and is based upon a more stringent rubric that is designed to reduce the subjectivity of the assessments. Elements of this new rubric include:

- 21 categories of components grouped into five major building systems – site, exterior, interior, equipment and systems, and maintenance management;
- weights for each component that reflect its impact on teaching and learning;
- five rating levels (superior, good, adequate, not adequate, and poor) with specific criteria and a rating factor for each level; and
- use of management software to produce an overall facility maintenance rating.

The initial report using this new rubric for fiscal 2021 was released on October 1, 2021, and contains a detailed explanation of the new rubric and summaries of maintenance effectiveness results by LEA and school. **Exhibit 15** displays the results for fiscal 2021, the first year of this assessment.

**Exhibit 15
Maintenance Effectiveness Assessment
Fiscal 2021**



Source: Interagency Commission on School Construction

Program Description

Capital Improvement Program

The State CIP provides the majority of funds for LEAs for school construction. In order to qualify for their annual allocation, each LEA, including MSB, develops and submits a 10-year Educational Facilities Plan for future school construction to IAC. This plan must assess local school construction needs based on (1) the current condition of school buildings and (2) the county’s projected enrollment. LEAs must also submit an annual county CIP that includes plans for specific projects and requests for planning and construction projects for the next fiscal year. These county CIPs provide IAC with the annual information needed to allocate program funds.

IAC establishes a range of appropriate per-student, square-foot allocations for elementary, middle, and high schools as well as for special education students, career and technology students, and specialized programs. IAC updated the space allocations in 2019 and renamed them gross area baselines. IAC also establishes, on an annual basis, a cost per SF that is applicable to major school construction projects. For fiscal 2023, the cost per SF is \$358 for new construction without site development (up from \$341 in fiscal 2022) and \$426 for new construction with site development (up from \$405 in fiscal 2022). In general, multiplying the cost per SF by the applicable gross area baseline for each proposed project (based primarily on the State-rated capacity of a building) yields the maximum allowable cost that is subject to the State/local cost-share formula. Thus, any portion of a project that exceeds the gross area baseline is not eligible for State funding and must be paid for by the local school system.

The cost of acquiring land may not be considered an eligible construction cost and may not be paid by the State. Otherwise, regulations specify public school construction-related costs that are eligible and ineligible for State funding. Chapter 20 expands the costs eligible for State funding. In general, the following costs are now included among eligible expenses:

- planning and design costs (including architectural and engineering fees);
- construction of a new facility, a renovation of a new facility, an addition to an existing facility, or a replacement of an existing building or building portion (*i.e.*, “bricks and mortar”);
- building and site development;
- replacement of building systems, including roofs, windows, and HVAC (*i.e.*, “systemic renovations”);
- modular construction that meets specified standards;
- State-owned relocatable facilities and temporary facilities that are required to be on site during construction; and

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- furniture, fixtures, and equipment with a median useful life of at least 15 years.

Among the major items explicitly not eligible for State funding under current law (besides site acquisition) are (1) master plans; (2) projects or systemic renovations for buildings and systems that have been replaced, upgraded, or renovated within the last 15 years; and (3) items that do not have a useful life of at least 15 years.

Public School Construction Program

The 21st Century School Facilities Act establishes the goal for the State to commit at least \$400 million annually to public school construction within current debt affordability guidelines. This program requires a State and local cost-share, and IAC decides how to allocate the PSCP funds on a regular schedule, which is as follows:

- **October:** The Governor announces a preliminary allocation for public school construction funds designated for the upcoming fiscal year. IAC staff gives this information to LEAs, which submit both an annual and five-year county CIP request for public school construction funds. The county CIP must be signed by the LEA’s school board and the county governing body.
- **October through November:** IAC staff evaluate each CIP to determine the relative merit of each funding request. Each project is assigned a letter (A, B, C, or D), which determines its approval status:
 - A projects receive IAC approval for planning and funding;
 - B projects are deferred for funding due to fiscal constraints but are eligible for local planning or construction funding;
 - C projects are not currently eligible for planning or funding approval based on unresolved issues; and
 - D projects are not eligible for funding.
- **December:** Upon completion of this evaluation, IAC staff presents these recommendations to IAC for review. LEAs may appeal IAC recommendations and approval status.
- **December 31:** IAC must approve 75% of funds from the Governor’s preliminary allocation for school construction. IAC has final approval authority. The list of projects approved by the IAC board becomes part of the Governor’s proposed capital budget, which is submitted to the General Assembly for approval.

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- **March 1:** IAC presents its approval of 90% projected State funds as submitted in the Governor’s capital budget.
- **May 1:** IAC approves all projects (100% allocation) with funds in the enacted capital budget. Final allocations are not subject to appeal.

Enrollment Growth or Relocatable Classrooms Supplemental Grant Program

Chapter 355 of 2015 established the EGRC Supplemental Grant Program, which provides a minimum of \$40 million in annual supplemental grants to LEAs with significant enrollment growth or relocatable classrooms. LEAs match these funds through State and local cost-share. This program is funded with GO bonds. The eligibility criteria for LEAs to receive EGRC money are (1) enrollment growth that exceeds 150% of the statewide average or (2) an average of greater than 250 relocatable classrooms in use in the last five years, which is a change from 300 relocatable classrooms prior to the passage of Chapter 20. IAC notifies EGRC-eligible counties of their allocation on the same schedule as the PSCP. Chapter 20 increases mandated funding for the program to \$80 million beginning in fiscal 2027.

The Healthy School Facility Fund

Chapter 561 of 2018 established the HSFF to provide grants to public schools to improve the health of school facilities. The Governor must appropriate \$30.0 million for the fund in fiscal 2020 and 2021, which must be in addition to funds that would otherwise be appropriated for public schools. Chapter 20 extends the program to fiscal 2024 and increases funding to \$40 million in each of fiscal 2023 and 2024. IAC must give priority in awarding grants to schools based on the severity of issues in the school, including (1) air-conditioning; (2) heating; (3) indoor air quality; (4) mold remediation; (5) temperature regulation; (6) plumbing, including the presence of lead in drinking water; (7) windows; and (8) roofs. IAC must establish application procedures for school systems to request grants and additional procedures to make awards from the fund not more than 45 days after receiving an application. No jurisdiction may receive more than \$15.0 million in a given fiscal year, and the total amount of a grant is not required to cover the full cost of a project. The HSFF continues under this legislation, with 50% of HSFF designated for Baltimore City through fiscal 2024.

Aging Schools Program

The ASP, § 5-206, provides funds for costs associated with aging school buildings. These costs may include, but are not limited to, asbestos and lead paint abatement, upgrading of fire protection systems and equipment, plumbing, roofing, upgrading of HVAC systems, site redevelopment, wiring schools for technology, and renovation projects related to education programs and services. The State funds this program with GO bonds. The ASP does not have a State and local cost-share requirement. IAC distributes ASP grants to LEAs through a formula based on the pre-1970s SF of school buildings that have not been renovated.

James E. “Ed” DeGrange Nonpublic Aging Schools Program

The fiscal 2014 capital budget created the Nonpublic Aging Schools Program, which provides grants for nonpublic schools with aging buildings. In Chapter 9 of 2018, this program was renamed for Senator James E. “Ed” DeGrange and is now called the DeGrange Program. This program must be renewed every year as part of the capital budget and has historically been funded with GO bonds. MSDE manages this program, and IAC distributes funds.

To qualify for this grant, grant recipients must be eligible for the Aid to Non-Public Schools Program and meet specific criteria: (1) at least 20% of the school’s students are eligible for FRPM; (2) tuition rates must be less than the statewide average per pupil expenditure; and (3) the school must have an average building age of 50 years or older. Payment for work completed under this program is reimbursed to the grant recipient. No matching funds are required, but the school is responsible for all project costs exceeding the amount of the grant. In 2019, the legislature added language in the fiscal 2020 capital budget bill that grant funds must be spent within three years or the funds revert to the Statewide Contingency Fund.

Eligible schools may receive up to a maximum allocation based on how many criteria they meet of no more than \$100,000 and no less than \$5,000. These amounts represent the maximum amounts available for projects according to their funding levels.

Public School Safety Grant Program

Chapter 14 created the Public School Safety Grant Program to provide grants to LEAs for security improvements, including secure and lockable doors for every classroom, an area of safe refuge in every classroom, and surveillance and other security technology for school monitoring purposes. IAC administers the program in consultation with MCSS.

Nonpublic School Safety Improvements

Funding for nonpublic school security improvement grants was first provided in fiscal 2019. In order to apply for a grant, a school must (1) be eligible for, and participated in, the Aid to Non-Public Schools Grant Program in the prior school year or (2) serve students with disabilities through the Nonpublic Placement Program. For eligible schools that have less than 20% FRPM participants, the maximum grant amount is \$65 per student. For eligible schools with over 20% FRPM students, the maximum grant amount is \$85 per student. No individual school may receive less than \$5,000.

Built to Learn Program

In March 2020, the General Assembly passed the Built to Learn Act, which was enacted into law as Chapter 20. However, this law was contingent on enactment of Blueprint for Maryland’s Future – Implementation (Chapter 36), which was vetoed by the Governor in May 2020. In February 2021, the General Assembly overrode the veto, which means that Chapter 20 immediately took effect, although funding mandates did not apply to fiscal 2022.

Chapter 20 establishes new programs and funds, modifies existing programs, and eliminates or phases out other programs. These changes include:

- The Supplemental Public School Construction Financing Fund and the Supplemental Public School Construction Facilities Fund are new, nonbudgeted funds administered by MSA. These continuing, nonlapsing funds will include the proceeds of MSA revenue bonds backed by Education Trust Fund payments. The funds must be used to supplement, but not supplant, money appropriated to the PSCP.
- The Public Schools Priority Fund is intended to address the facility needs of the highest priority schools identified by the statewide facilities assessment, with the highest priority given to schools with a severe facility issue that required the school to be closed. Allocations from this fund begin in fiscal 2025 and are supplemental and not intended to take the place of funding that otherwise would be appropriated for public schools in the State. This program is also intended to take the place of the ASP and the PSSGP beginning in fiscal 2027 and repeals these programs effective July 1, 2026.
- The Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program, Nonpublic School Security Improvement Grant Program, and Public School Safety Grant programs do not receive funding in this bill.

**Appendix 1
Public School Construction Funding
Fiscal 2018-2022**

<u>Local Education Agency</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Allocation 2018-2022</u>	<u>Total Allocation 1972-2021</u>	<u>% of Total Since 2018</u>
Allegany	\$12,873	\$3,950	\$2,840	\$1,180	\$2,335	\$23,178	\$149,487	16%
Anne Arundel	36,829	28,832	28,487	27,817	29,094	\$151,059	779,159	19%
Baltimore City	37,303	68,735	41,062	27,769	34,437	\$209,306	952,062	22%
Baltimore	45,186	41,865	33,795	30,704	36,601	\$188,151	923,295	20%
Calvert	14,575	9,763	2,165	3,678	12,165	\$42,346	214,582	20%
Caroline	1,646	423	11,603	11,817	4,592	\$30,081	86,580	35%
Carroll	3,853	6,853	7,604	7,258	10,960	\$36,528	262,169	14%
Cecil	6,730	5,152	3,871	3,633	5,190	\$24,576	166,367	15%
Charles	10,516	14,856	13,937	9,753	11,614	\$60,676	311,580	19%
Dorchester	10,975	11,026	4,068	3,912	2,917	\$32,898	121,861	27%
Frederick	19,564	19,178	16,636	17,334	14,150	\$86,862	477,504	18%
Garrett	1,567	0	443	1,144	3,773	\$6,927	56,812	12%
Harford	13,592	12,278	12,964	11,678	11,394	\$61,906	384,063	16%
Howard	21,066	10,374	969	16,876	14,220	\$63,505	550,583	12%
Kent	0	0	1,433	2,293	0	\$3,726	22,220	17%
Montgomery	59,194	59,714	32,836	31,746	28,095	\$211,585	1,239,476	17%
Prince George's	49,625	49,031	29,189	28,927	22,099	\$178,871	960,768	19%
Queen Anne's	2,455	806	657	951	2,123	\$6,992	90,765	8%
St. Mary's	815	6,347	4,780	5,330	5,489	\$22,761	199,646	11%
Somerset	14,720	17,500	3,161	2,900	442	\$38,723	111,913	35%
Talbot	-	8,390	9,000	2,973	1,208	\$21,571	47,475	45%
Washington	2,592	12,042	11,671	7,510	8,299	\$42,114	210,735	20%
Wicomico	11,847	9,971	11,070	9,172	10,866	\$52,926	227,667	23%
Worcester	0	4,336	4,336	1,275	4,814	\$14,761	82,084	18%
Maryland School for the Blind	9,376	14,000	7,401	6,579	1,623	\$38,979	75,188	52%
Total	\$386,899	\$415,422	\$295,978	\$274,206	\$278,500	\$1,651,005	\$8,704,041	19%

Source: Interagency Commission on School Construction